

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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MEMORANDUM

TO: Salem Retirement Board

FROM: Joseph E. Connarton, Executive Director

RE: Approval of Funding Schedule

DATE: December 23, 2014

This Commission is hereby furnishing you with approval of the revised funding schedule you recently adopted (copy enclosed). The schedule assumes payments are made on July 1 of each fiscal year. The schedule is effective in FY15 (since the amount under the prior schedule was maintained in FY15) and is acceptable under Chapter 32.

We would have preferred that the FY16 and subsequent appropriations under the revised schedule be more consistent with the prior schedule. However we note that the Board adopted a more conservative assumption set and reduced the amortization period by about one year.

Also note that this schedule amortizes the unfunded actuarial liability on a 4.5% annually increasing basis through FY31. Under the provisions of G.L. c. 32 Section 22F, the maximum allowable increase is 4.0% for schedules that extend beyond FY30. However, since the Board could have adopted a schedule with similar payments over the next few years using a 4.0% increasing amortization basis and extending the schedule a year or so, we will allow this schedule.

If you have any questions, please contact PERAC's Actuary, Jim Lamenzo, at (617) 666-4446, extension 921.

Enc.



Funding Schedule 12 – Fully funded by 2031

FY 2016 appropriation equals \$12,000,000

Amortization payments increase 4.5% per year beginning in FY 2018

Includes Essex Agricultural and Technical School in FY 2016 appropriation

(1) Fiscal Year Ended June 30	(2) Employer Normal Cost	(3) Amortization of ERI Liability	(4) Amortization of Remaining Liability	(5) Total Plan Cost: (2) + (3) + (4)	(6) Total Unfunded Actuarial Accrued Liability at Beginning of Fiscal Year	(7) Total Plan Cost % Increase
2015	\$2,310,734	\$246,064	\$9,391,461	\$11,948,259	\$123,692,470	4.50%
2016	2,412,490	256,260	9,331,250	12,000,000	122,894,203	0.43%
2017	2,518,705	266,914	9,742,112	12,527,730	122,087,962	4.40%
2018	2,629,572	278,047	10,180,507	13,088,125	120,765,054	4.47%
2019	2,745,294	289,682	10,638,629	13,673,605	118,855,254	4.47%
2020	2,866,082	301,840	11,117,368	14,285,290	116,291,281	4.47%
2021	2,992,159	314,545	11,617,649	14,924,353	112,999,659	4.47%
2022	3,123,753	327,817	12,140,443	15,592,014	108,900,192	4.47%
2023	3,261,106	322,195	12,686,763	16,270,065	103,905,407	4.35%
2024	3,404,469	336,694	13,257,668	16,998,831	97,940,924	4.48%
2025	3,554,104	351,845	13,854,263	17,760,212	90,883,421	4.48%
2026	3,710,283	367,678	14,477,705	18,555,666	82,619,805	4.48%
2027	3,873,292	384,224	15,129,201	19,386,717	73,026,940	4.48%
2028	4,043,428	401,514	15,810,016	20,254,957	61,970,812	4.48%
2029	4,221,001	419,582	16,521,466	21,162,049	49,305,627	4.48%
2030	4,406,335	438,463	17,264,933	22,109,731	34,872,834	4.48%
2031	4,599,767	458,215	18,041,854	23,099,836	18,500,069	4.48%
2032	4,801,652	--	--	4,801,652	--	-79.21%

Notes: 2015 payment is budgeted appropriation from prior valuation.

Item (2) reflects 4.0% growth in payroll and 0.15% adjustment to total normal cost to reflect the effects of mortality improvement due to the generational mortality assumption.

Item (3) reflects 10-year level dollar amortization of 2010 ERI and 20-year increasing amortization of 2002 and 2003 ERI.

Includes estimated additional employer normal cost of \$35,262 and unfunded actuarial liability of \$2,156,171 as of July 1, 2014 due to the merger of Essex Agricultural and Technical School with the North Shore Regional Vocational Technical School.

Please refer to the April 24, 2014 Summary of Preliminary Results for assumptions.

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